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## Press Release

ATTORNEY GENERAL'S OFFICE

FOR IMMEDIATE RELEASE  
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### **Alaska Commission on Postsecondary Education and Alaska Department of Law Warn Against Predatory Lending**

(Juneau, AK) – The Alaska Commission on Postsecondary Education (ACPE) and the Alaska Department of Law are advising consumers to be on the alert for high pressure campaigns relating to Federal Stafford Education Loan consolidation. This advisory was generated due to increased reports of Alaska citizens being targeted with unethical predatory lending techniques.

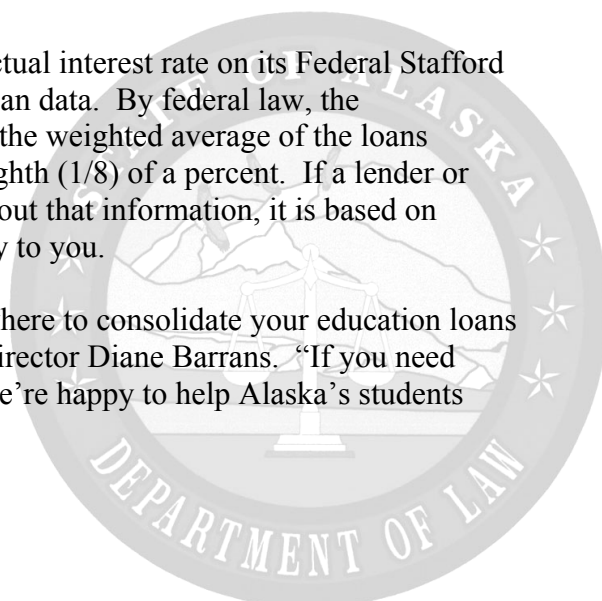
According to reports received by the ACPE, some lenders that offer student loan consolidations are making blatant misrepresentations about the terms of the loans they offer. They claim the borrower will receive reduced interest rates, lower minimum monthly payments, cash incentives and borrower benefits, but in fact these claims don't add up to savings for the borrower.

"It may sound like you are getting a good deal. However, over the long term you may end up paying more in finance charges or lost benefits," said Assistant Attorney General Cynthia Drinkwater, with the Department of Law's Consumer Protection Unit.

The following facts are essential to making an informed decision on your federal education consolidation loan.

No lender or marketer can give a borrower the actual interest rate on its Federal Stafford Consolidation Loan without borrower-specific loan data. By federal law, the consolidation loan fixed interest rate is based on the weighted average of the loans included in the consolidation, rounded up one-eighth (1/8) of a percent. If a lender or marketer is quoting you a fixed interest rate without that information, it is based on general assumptions which may or may not apply to you.

"The smartest thing you can do when deciding where to consolidate your education loans is ask questions," says Commission Executive Director Diane Barrans. "If you need help, don't forget the Commission is here, and we're happy to help Alaska's students navigate the consolidation maze."



It is important to understand the impacts of lender “benefits” that may add up as lender profits rather than student savings. ACPE and the Department of Law recommend you ask the following questions before making any decisions on your education loans:

1. Are loan benefits automatic, or do I have to qualify for them?
2. Are benefits applied annually or one-time only?
3. What percent of borrowers get the advertised rate discount, fee waiver, or other benefit?
4. Do I forfeit the benefit if I have a late payment?
5. What percent of your borrowers default on their loans?

It is important to remember that if you do not already have a financial relationship with the lender, do not provide personal identifying information on their internet site or over the telephone, and never provide your Social Security Number!

For more information about becoming an informed education loan consumer, please contact ACPE toll-free at 1-800-441-2962 (465-2962 in Juneau).

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